

The President's Daily Brief

3 July 1973

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FOR THE PRESIDENT ONLY

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PRINCIPAL DEVELOPMENTS

Cambodia

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(Page 1)

Poor morale and confusion over North Vietnam's line on the war following the cease-fire prompted Hanoi to dispatch a ranking Central Committee member to the South in April. (Page 2)

A variety of "assistance" agreements signed between the Lao Communists and North Vietnam may cloak a diminished North Vietnamese presence in Laos, perhaps including some military personnel. (Page 3)

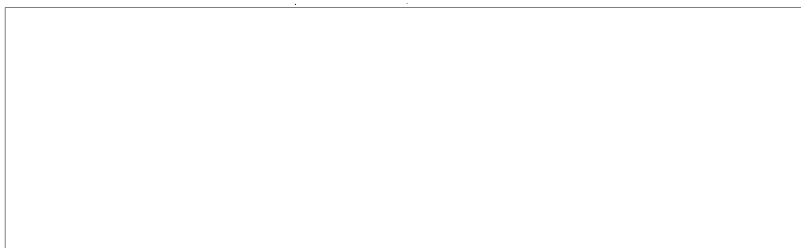
President Allende's decision to revamp his cabinet may be part of his effort to obtain congressional approval of a state of siege in Chile. (Page 4)

Notes on the international monetary situation, a possible expansion of trade between East Germany and the US, and an interim solution for dividing foreign debts between Pakistan and Bangladesh appear on Page 5.

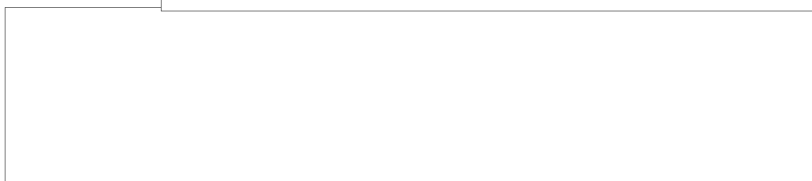
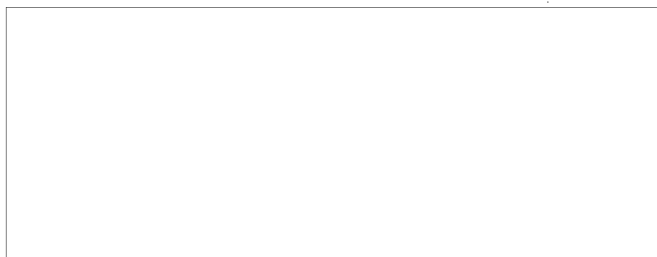
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CAMBODIA



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VIETNAM

Morale problems caused by confusion over Hanoi's line on the war and on party affairs apparently developed among southern cadre following the cease-fire, causing the dispatch of a ranking Central Committee member to the South in April.

A major issue appears to have been Hanoi's unwillingness to support renewed major military operations in the South. [redacted]

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[redacted] the head of the Central Committee's Propaganda and Training Section, To Huu, told assembled COSVN cadres in Tay Ninh Province that because of the "international situation" and a "weakening of the war-making potential" on the Communist side, a large-scale military offensive could not be attempted for three to five years.

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To assuage cadre concerns that this policy amounted to abandonment of the revolution in the South, Huu claimed that North Vietnam could now concentrate on consolidating its economy, to serve as a "large rear base area for the South"--a traditional Hanoi cliché. He went on to make some overblown claims about North Vietnam's intent to concentrate "all of its economic resources" in support of the Communists in the South, and said that "three million" North Vietnamese will be resettled in "liberated areas" by mid-1974.

Huu was also sent to deal with the repercussions of an article by party First Secretary Le Duan early in the year, which suggested that some party cadre were ineffective and would have to be weeded out. Huu tried to offset the effects of Duan's statement on party morale by claiming that it had been intended to improve cadre skills, spirit, and health.

[redacted] Huu originally intended to visit only Quang Tri Province, but decided to go on to COSVN after arriving in South Vietnam. This suggests that he found more serious "misunderstandings" over Hanoi's current policy on both the war and on party matters than he anticipated. Given the apparent extent of cadre concern, To Huu's overstated claims probably had only a limited palliative effect.

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LAOS

Late last week a Lao Communist delegation signed an agreement with the North Vietnamese Government for "medical cooperation," according to the Vietnam News Agency. During the past two months other delegations have signed agreements on road construction and food production.

These "assistance" agreements may be designed in part to provide a cloak of legitimacy for a diminished North Vietnamese presence in Laos--possibly including some military personnel. Intercepts have indicated that some North Vietnamese units have been instructed to disguise themselves as "civilian" technicians or Pathet Lao troops.

Hanoi may use these arrangements to retain advisers, small military units in the hinterlands, and troops to maintain the road and trail network. It probably would not use them, however, as cover for major main force units in Laos.

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CHILE

President Allende intends to revamp his cabinet, possibly in a continued effort to secure a congressional declaration of a state of siege. Allende still holds the initiative in the wake of last Friday's abortive revolt, but he remains wary of the possibility of another move against him.

The disheartening effect of that day's events on the opposition may have been a factor helping Allende settle the 74-day-old El Teniente copper strike. In addition, at least five members of the extreme rightist Fatherland and Freedom group, including its leader, have sought asylum in the Ecuadorean Embassy. The governing Popular Unity coalition continues to claim that the country is in its most serious situation since the civil war of 1891, however, and Allende has asked the opposition-controlled Congress to help him "crush fascism" by declaring a state of siege.

Yesterday the lower house rejected this request. The opposition National and Christian Democratic parties maintain that the state of emergency and curfew presently in effect give the executive branch sufficient power to deal with the alleged threat to constitutional order and that any further curtailment of civil liberties is unwarranted.

The Christian Democrats may, however, agree to give Allende state of siege powers for three months in return for a responsible military role in the new cabinet.

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NOTES

International Monetary Developments: The dollar again hit new lows in European currency markets. Austria has now followed Germany in revaluing its currency; the schilling has been raised by 4.8 percent as a result of Austria's close trade ties with Germany and its high domestic rate of inflation. The other major countries have indicated their intention not to follow suit, however.

East Germany - US: The Union Bank of California has agreed to extend East Germany a \$17-million line of credit. The credit was requested by the East Germans to facilitate an expansion of trade with the US, which has been relatively low--some \$25 million in 1972. They are particularly interested in increasing their imports of US computers and grain.

Pakistan: The Bhutto government will accept an interim solution to the issue of responsibility for the \$1.2 billion in foreign debts incurred on behalf of Pakistan's former East wing. Pakistan now will continue servicing the entire debt owed to the members of the aid-Pakistan consortium until next June, when it will be relieved of that portion related to what is now Bangladesh. This allows another year to decide on a final division of all liabilities--a prerequisite for new long-term aid arrangements.

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